

Ms. Myria A. Polydrou, Vice President, Finance  
Health Care Corporation  
Post Office Box 5419  
Spartanburg, South Carolina 29304

Re: AC# 3-CSF-J8 – Chesterfield Convalescent Center, Inc.

Dear Ms. Polydrou:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract periods beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**CHESTERFIELD CONVALESCENT CENTER, INC.**

**CHERAW, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1999  
AC# 3-CSF-J8**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 1, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Chesterfield Convalescent Center, Inc., for the contract periods beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Chesterfield Convalescent Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Chesterfield Convalescent Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
March 1, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**CHESTERFIELD CONVALESCENT CENTER, INC.**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1999  
AC# 3-CSF-J8

Interim reimbursement rate (1)	\$92.22
Adjusted reimbursement rate	<u>91.74</u>
Decrease in reimbursement rate	\$ <u><u>.48</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**CHESTERFIELD CONVALESCENT CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods Beginning October 1, 1999  
AC# 3-CSF-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$43.92	\$50.88	
Dietary		9.65	9.69	
Laundry/Housekeeping/Maint.		<u>7.28</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	60.85	68.81	\$60.85
Administration & Med. Rec.	<u>\$4.86</u>	<u>6.70</u>	<u>11.56</u>	<u>6.70</u>
Subtotal		67.55	<u>\$80.37</u>	67.55
<u>Costs Not Subject to Standards:</u>				
Utilities		2.19		2.19
Special Services		.23		.23
Medical Supplies & Oxygen		4.71		4.71
Taxes and Insurance		1.37		1.37
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$76.05</u>		76.05
Inflation Factor (3.00%)				2.28
Cost of Capital				8.92
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.66
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.73)
CNA Add-On				.75
Nursing Aid Staffing Add-On				<u>1.99</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$91.74</u>

**CHESTERFIELD CONVALESCENT CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-CSF-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,629,576	\$ -	\$ -	\$1,629,576
Dietary	358,012	-	-	358,012
Laundry	49,437	-	-	49,437
Housekeeping	166,805	-	-	166,805
Maintenance	53,717	-	-	53,717
Administration & Medical Records	261,831	-	13,089 (2)	248,742
Utilities	81,196	-	-	81,196
Special Services	8,455	-	-	8,455
Medical Supplies & Oxygen	174,721	-	-	174,721
Taxes & Insurance	50,730	-	-	50,730
Legal Fees	129	-	-	129
Cost of Capital	335,013		2,899 (3) <u>1,113 (4)</u>	331,001
Subtotal	3,169,622	-	17,101	3,152,521



**CHESTERFIELD CONVALESCENT CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-CSF-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	17,659	-	-	17,659
Non-Allowable	68,739	13,089 (2)		85,840
		2,899 (3)		
	<u>          </u>	<u>1,113 (4)</u>	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>\$3,256,020</u>	<u>\$17,101</u>	<u>\$17,101</u>	<u>\$3,256,020</u>
TOTAL PATIENT DAYS	<u>37,100</u>	<u>-</u>	<u>-</u>	<u>37,100</u>
TOTAL BEDS	<u>104</u>			

**CHESTERFIELD CONVALESCENT CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-CSF-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation - Land Improvements	\$ 288	
	Accumulated Depreciation - Building & Improvements	4,559	
	Accumulated Depreciation - Furniture & Equipment	1,468	
	Other Equity		\$ 6,315
	To properly carry forward 9/30/91 balances HIM-15-1, Section 2304		
2	Nonallowable Administration	13,089	13,089
	To disallow unnecessary working capital interest HIM-15-1, Section 202.2		
3	Nonallowable Cost of Capital - Amortization Expense	2,899	2,899
	To disallow loan costs related to nonallowable inter-company debt and to properly amortize loan costs related to the new addition HIM-15-1, Section 202.2		
4	Nonallowable Cost of Capital	1,113	1,113
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$23,416</u>	<u>\$23,416</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**CHESTERFIELD CONVALESCENT CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-CSF-J8

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>88</u>	<u>16</u>	
Deemed Asset Value	3,091,440	562,080	
Improvements Since 1981	208,569	2,512	
Accumulated Depreciation at 9/30/98	<u>(864,150)</u>	<u>(51,166)</u>	
Deemed Depreciated Value	2,435,859	513,426	
Market Rate of Return	<u>0.063</u>	<u>0.063</u>	
Total Annual Return	153,459	32,346	
Return Applicable to Non-Reimbursable Cost Centers	(485)	(102)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>478</u>	<u>161</u>	
Allowable Annual Return	153,452	32,405	
Depreciation Expense	112,194	28,024	
Amortization Expense	4,673	1,691	
Capital Related Income Offsets	(258)	(78)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(847)</u>	<u>(255)</u>	<u>Total</u>
Allowable Cost of Capital Expense	269,214	61,787	\$331,001
Total Patient Days (Actual Days)	<u>31,392</u>	<u>5,708</u>	<u>37,100</u>
Cost of Capital Per Diem	\$ <u>8.58</u>	\$ <u>10.82</u>	\$ <u>8.92</u>